

COUNCIL POLICY**CURRENT**

SUBJECT: BUDGET PROCESS
POLICY NO.: 000-02
EFFECTIVE DATE: September 16, 1991

BACKGROUND:

After conducting a six-month review of the City's current budget process and policies, the Citizens Budget Committee concluded that the City would be best served by taking immediate steps to implement a plan which would enable the City Council to more effectively deal with the major policy issues by planning beyond a single fiscal year. The Committee recommended the creation of a five-year planning cycle coupled with a two-year "rolling" budget process and appropriation ordinance. Beginning with fiscal year 1993, the City Council would approve and adopt an appropriation ordinance for the first year (near year) budget and accept in principle the proposed second year (outer year) budget.

This procedure for a two-year "rolling" budget requires the preparation of a two-year budget plan on an annual basis. In FY 1992, the City Manager would prepare a two-year budget for fiscal years 1993 and 1994. In FY 1993 and subsequent years, the City Manager would prepare the two-year budget using the second year of the previous budget as the first year of the new cycle. When the second year rolls forward and becomes the near year, the Council may approve and adopt the budget and appropriation ordinance without modification based upon the budget which was adopted in principle the preceding year, assuming revenue projections continue to be accurate. The primary focus each year would be the development of the second year of the budget, with public hearings during the City Council budget workshops limited to this outer year, provided that the public hearings on the annual appropriation ordinance, pursuant to the Charter, would be directed at near year modifications.

The proposal provides that the City Manager would prepare and submit a five-year financial plan to the City Council. The first two fiscal years would reflect the proposed balanced two-year budget. Years three to five would serve as a planning guideline and would not necessarily be in balance with projected revenue. Further, years three through five would not be formally adopted but rather accepted in principle as proposed or as modified by the City Council.

PURPOSE:

In order for the City Council to prioritize programs, assess future impacts and plan for future changes, adoption of a budget plan which extends beyond one year is essential. The Citizens Budget Committee proposed implementation of a two-year budget and a five-year fiscal plan to provide the City Council with both a projection of current activities and revenues as well as an indication of future requirements. The benefits to such a process include the ability to view incremental impacts in the long-term versus the short-term; project the need for increased revenues or expenditure reductions well in advance and implement changes over a reasonable period of time; and evaluate the total impact of a new program during the initial decision making process.

After three years of operation, this process will be reviewed to develop recommendation for a possible City Charter amendment to codify a two-year rolling budget process and a two-year appropriation

ordinance subject to state constitutional debt prohibitions and guarantees concerning a balanced budget.

POLICY:

The City Manager will prepare for City Council consideration a two-year budget proposal beginning with fiscal years 1993 and 1994 based on a five-year financial plan. The City Council will adopt an appropriation ordinance providing for the first fiscal year (1993) and indicating acceptance in principle of the second year (1994). Assuming revenue projections remain consistent, the second year budget may be adopted the following year as the near-year budget ordinance. The primary focus each year would be the development of the second year budget, with public hearings during the City Council budget workshops limited to this outer year, provided that the public hearings on the annual appropriation ordinance pursuant to the Charter would be directed at near year modifications. The outer three years of the five-year plan will not be formally adopted but will serve as a planning guideline which is not necessarily in balance with projected revenues.

The adoption of a two-year rolling budget requires the preparation of a two-year budget on an annual basis. In FY 1992, the City Manager will prepare a two-year budget for fiscal years 1993 and 1994. In FY 1993 and subsequent years, the City Manager will prepare the two-year budget using the second year of the previous budget as the first year of the new cycle. When the second year rolls forward and becomes the near year, the Council may adopt the appropriation ordinance without modification of the budget except to balance with revenue in accordance with the annual appropriation process set forth in City Charter sections 69 and 71. The primary focus each year would be the development of the second year of the budget, with public hearings during the City Council budget workshops limited to this outer year.

No later than fiscal year 1996, this process will be reviewed by the City Manager and a report submitted for Council review containing a recommendation on what, if any, amendment to section 69 and/or 71 of the City Charter should be sought.

HISTORY:

“Public Attendance at Council Conference”

Adopted by Resolution R-169942 03/15/1962

Amended by Resolution R-192542 01/04/1968

Repealed by Ordinance O-11254 02/28/1974

“Budget Process”

Adopted by Resolution R-278661 09/16/1991